

This record is a partial extract of the original cable. The full text of the original cable is not available.

UNCLAS SECTION 01 OF 02 ANKARA 000752

SIPDIS

SENSITIVE

STATE FOR E, EB/IFD/OMA, AND EUR/SE
TREASURY FOR OASIA - MILLS AND LEICHTER
STATE PASS USTR - NOVELLI AND BIRDSEY

E.O. 12958: N/A

TAGS: [ECON](#) [EFIN](#) [PGOV](#) [TU](#)

SUBJECT: GOVERNMENT RELEASES SOME 2003 BUDGET
NUMBERS; SKEPTICISM ON PRIMARY SURPLUS CLAIMS

REF: ANKARA 193

SENSITIVE BUT UNCLASSIFIED, AND NOT FOR INTERNET
DISTRIBUTION.

1. (SBU) SUMMARY: DEPUTY PM ABDULLATIF SENER ANNOUNCED JANUARY 28 THE MACRO-ECONOMIC ASSUMPTIONS UNDERLYING THE 2003 BUDGET, AND SOME OF THE BUDGET AGGREGATES, BUT NOT THE FISCAL SAVING MEASURES THAT RESULT IN THE HEADLINE 6.5 PERCENT OF GNP PRIMARY SURPLUS. THOSE MEASURES ARE BEING DEBATED ON THE EVENING OF JANUARY 29 IN THE CABINET-LEVEL HIGHER PLANNING COUNCIL. PRIVATELY, FINANCE MINISTRY BUDGET DEPARTMENT HEAD KESIK TOLD US THE MEASURES HE'S SEEN ADD UP TO AROUND 5 PERCENT OF GNP (IMF RESREP SAYS LESS THAN 5 PERCENT). PUBLICLY, DEPUTY PM SENER CLAIMS THE GOT WILL EXCEED THE 6.5 PERCENT TARGET, BUT THAT CLAIM NEEDS TO BE BACKED BY CREDIBLE MEASURES, MANY OF WHICH WILL BE POLITICALLY DIFFICULT. END SUMMARY.

2. (U) ON JANUARY 28, DEPUTY PRIME MINISTER ABDULLATIF SENER (IN CHARGE OF ECONOMIC POLICY COORDINATION) GAVE PRESS REMARKS FOLLOWING A MEETING OF THE HIGHER PLANNING COUNCIL (CHAired BY PM GUL, IT INCLUDES THE ECONOMIC MINISTERS AND KEY ECONOMIC AGENCY HEADS). SENER REITERATED THE TURKISH GOVERNMENT'S INTENTION TO MEET AND EVEN EXCEED THE PRIMARY SURPLUS TARGET OF 6.5 PERCENT OF THE GNP. HE SAID THE 2003 BUDGET WOULD ACTUALLY RESULT IN A HIGHER, 6.8 PERCENT PRIMARY SURPLUS, BUT HE DIDN'T UNVEIL THE FISCAL SAVING MEASURES THAT WOULD LEAD TO THIS TARGET. HE DID NOTE THAT THE 2003 BUDGET WOULD ELIMINATE SOME 600 PROJECTS FROM THE PUBLIC INVESTMENT PROGRAM (THESE ARE LARGELY PROJECTS THAT HAD RECEIVED SOME PRELIMINARY APPROVALS BUT HAD NOT BEEN FUNDED AT ANY LEVEL IN PRIOR BUDGETS, I.E., HAD NO FEASIBILITY STUDIES.)

3. (U) ON JANUARY 29, THE HIGH PLANNING COUNCIL BEGAN MEETING AT 4:00 P.M. LOCAL TIME, WITH THE AGENDA OF ADOPTING THE FISCAL SAVING MEASURES REQUIRED TO REACH THE PRIMARY SURPLUS TARGET.

4. (U) FOLLOWING DEPUTY PRIME MINISTER SENER'S ANNOUNCEMENT, HIS OFFICE RELEASED THE 2003 MACRO-ECONOMIC TARGETS, AND THE FINANCE MINISTRY SEPARATELY RELEASED OT THE PRESS THE 2003 BUDGET AGGREGATES. WE CONFIRMED THE FIGURES WITH FINANCE MINISTRY'S BUDGET DEPARTMENT HEAD AHMET KESIK.

MACRO-ECONOMIC ASSUMPTIONS
IN THE 2003 BUDGET

2003 GNP: TL 354,575 TRILLION (\$202.4 BILLION)
GROWTH RATE: 5 PERCENT
POPULATION: 70 MILLION
PER CAPITA INCOME: \$2,856
WPI: 17.4 PERCENT (YEAR-END)
CPI: 20.0 PERCENT (YEAR-END)
GNP DEFLATOR: 24.4 PERCENT
AVERAGE ANNUAL USD EXCHANGE RATE: TL 1,752,000
AVERAGE ANNUAL INTEREST RATE ON LIRA-DENOMINATED
FIXED RATE GOVERNMENT SECURITIES: 43 PERCENT

2003 BUDGET AGGREGATES

TOTAL EXPENDITURES: TL 148.3 QUADRILLION
(\$84.7 BILLION)
PERSONNEL EXPENDITURES: TL 29.6 QUADRILLION
(\$16.9 BILLION)
PUBLIC INVESTMENT EXPENDITURES: TL 9.1 QUAD
(\$5.2 BILLION)
TRANSFER EXPENDITURES (INCLUDES INTEREST
PAYMENTS ON GOT DEBT): TL 100.2 QUAD (\$57.2
BILLION) BROKEN DOWN INTO:
-- INTEREST EXPENDITURES: TL 65 QUADRILLION
(\$37.1 BILLION)
-- SOCIAL SECURITY EXPENDITURES: TL 15 QUAD
(\$8.6 BILLION)
-- AGRICULTURE AND STOCKBREEDING SUPPORT
PAYMENTS: TL 3.7 QUAD (\$2.1 BILLION)
-- V.A.T. REFUND PAYMENTS: TL 6.6 QUAD
(\$3.8 BILLION)
-- SEE TRANSFERS: TL 2 QUAD (\$1.1 BILLION)
OTHER CURRENT EXPENDITURES: TL 9.4 QUADRILLION
(\$5.4)

(NOTE: SEES ARE STATE ECONOMIC ENTERPRISES. IN
ADDITION TO THIS \$1.1 BILLION BUDGET ALLOCATION
TO THEM, SOME SEES MAKE GOOD PROFITS BASED ON
STATE-CONTROLLED MONOPOLY POSITIONS OVER KEY
BUSINESSES SUCH AS ALCOHOL IMPORTATION (TEKEL),
OIL REFINING (TUPRAS), NATURAL GAS DISTRIBUTION
(BOTAS).)

TOTAL REVENUES: TL 98.6 QUADRILLION
(\$56.3 BILLION)
TAX REVENUES: TL 82.7 QUADRILLION
(\$47.2 BILLION)

BUDGET DEFICIT: TL 49.8 QUADRILLION (\$28.4
BILLION)

CONSOLIDATED CENTRAL GOVERNMENT PRIMARY SURPLUS:
TL 19.7 QUADRILLION (\$11.2 BILLION) OR 5.6
PERCENT OF GNP.

(NOTE: THIS IS A NARROWER DEFINITION OF PRIMARY
SURPLUS WHICH INCLUDES ONLY THE CENTRAL
GOVERNMENT. THE IMF DEFINITION INCLUDES THE
ENTIRE PUBLIC SECTOR, INCLUDING SEES, SOCIAL
SECURITY AND OFF-BUDGET FUNDS, AND
MUNICIPALITIES. FOR MONITORING PURPOSES, THE
IMF "PRIMARY SURPLUS" INCLUDES ONLY EIGHT
SELECTED SEES AND CERTAIN OF THE FUNDS, BUT NOT
ALL OF THEM, BECAUSE IT TAKES MONTHS TO GET THE
ENTIRE PUBLIC SECTOR DATA. WE STILL DON'T HAVE
THE FINAL 2002 IMF ENTIRE PUBLIC SECTOR PRIMARY
SURPLUS, THOUGH THE IMF ESTIMATES IT AT 4.4
PERCENT OF GNP.)

COMMENT: HEALTHY SKEPTICISM

15. (SBU) MARKETS ARE NOW WAITING FOR NEWS OF
THE FISCAL MEASURES NEEDED TO MEET THE 6.5
PERCENT OF GNP PRIMARY SURPLUS. TREASURY DEPUTY
U/S KARAOZ TOLD US HE'S NOT SURE THAT TODAY'S
HIGHER PLANNING COUNCIL WILL REACH CONSENSUS ON
THE MEASURES (WHICH INVOLVE CUTS IN REAL TERMS
TO CIVIL SERVANT WAGES, CUTTING BACK THE
PHARMACEUTICAL BENEFIT TO SOCIAL SECURITY, AND
OTHER POLITICALLY DIFFICULT ITEMS).

16. (SBU) FINANCE MINISTRY BUDGET DEPARTMENT
HEAD AHMET KESIK TOLD US IN PRIVATE HE'S
SKEPTICAL THAT THE NEW SET OF MEASURES WILL ADD
TO 6.5 PERCENT. KESIK SAYS THE MEASURES HE'S
SEEN ADD UP TO ABOUT 5 PERCENT (AND IMF RESREP
TOLD US THE IMF ESTIMATE IS LOWER THAN 5
PERCENT. AS FOR THE 6.8 PERCENT TARGET
ANNOUNCED BY SENER, KESIK SAID IT'S A PUBLIC
RELATIONS PLOY - HE SEEMS TO HAVE PULLED IT OUT
OF THE AIR.
PEARSON